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Bethlehem Resources Corporation

Annual Report 1989

President's Message

For Bethlehem Resources Corporation, fiscal 1989 was an eventful and satisfying year, with acquisitions during the year greatly strengthening our asset base and leaving us in a better position to meet the challenges and capitalize on the opportunities of the future.

Undoubtedly, our major achievement during the year was the purchase of the Goldstream copper-zinc property and its related assets, in partnership with Goldnev Resources Inc. For a capital outlay of less than $6 million, we acquired mining and milling facilities with a replacement cost today of about $70 million.

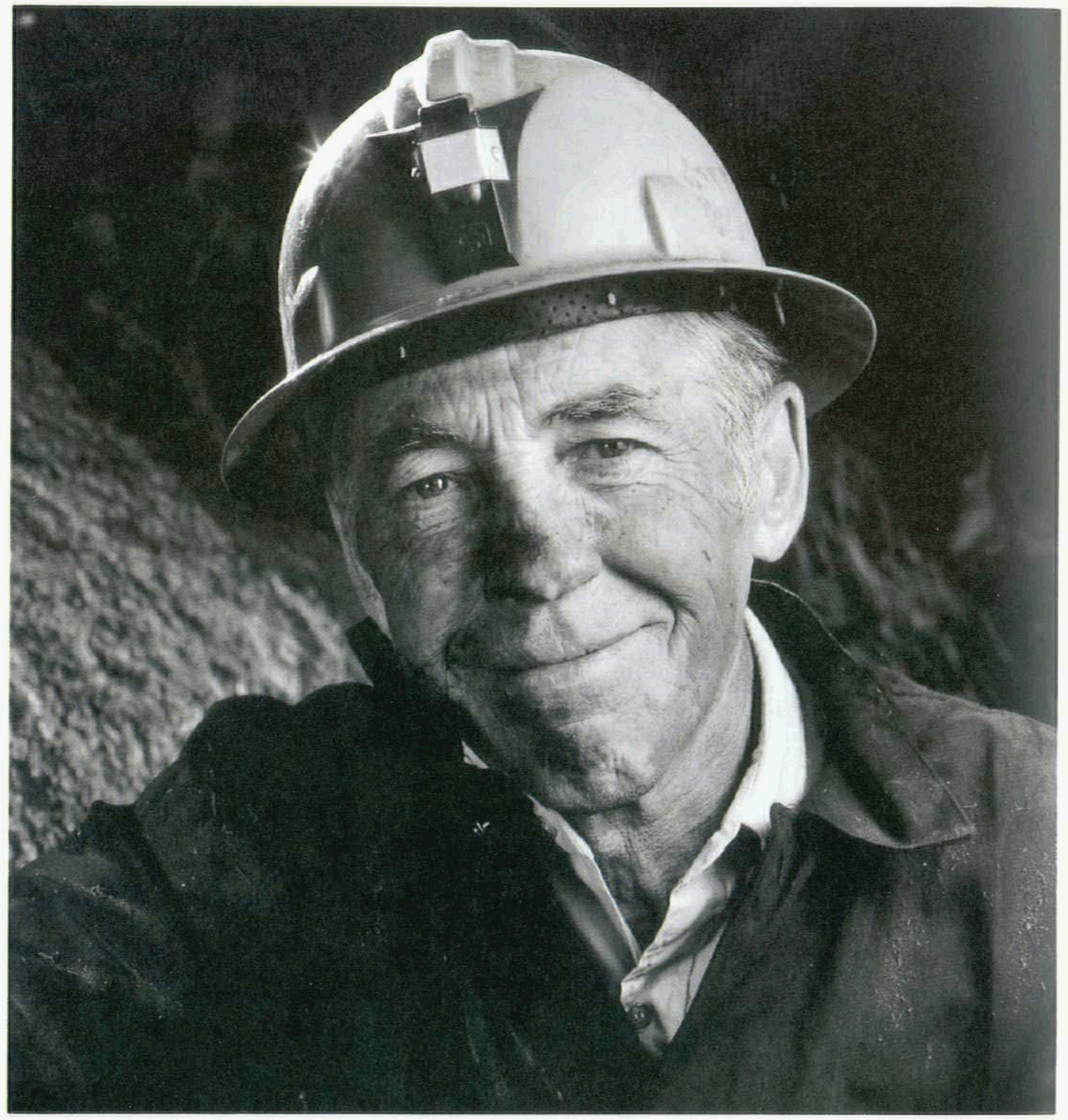
We are now arranging the financing required to put the property back into operation and hope to resume production there by the end of the 1989 calendar year. We are confident that we have obtained an extremely important asset which will make a significant contribution to the Company in the years ahead.

We continue to receive good results from the ongoing drilling program at our Giant Copper property, with discovery of two new zones of mineralization suggesting a much greater mineral resource than was originally believed. We also have interests in several other promising properties in western Canada and the United States.

Of course, our greatest strength at Bethlehem Resources continues to be the commitment and experience of the men and women who make up this corporation. It is their dedication, their skills and their extensive knowledge of the mining industry which has brought our company to this important threshold, and I would like to take this opportunity to thank them all for their efforts. I would also like to thank our shareholders for their confidence and continuing support of Bethlehem Resources during the past year.

ON BEHALF OF THE BOARD OF DIRECTORS

Henry G. Ewanchuk



Red Daley, Site Superintendent at the Goldstream Mine, has over 35 years of mining expertise gained while working around the world on projects in Central, South and North America, Liberia and Spain.

Goldstream Property

Cross section 5300 E shows the ore zone and geological information of the Goldstream copper deposit. Figure 1

In July, the Company made one of the most important moves in its history by purchasing a 50 percent interest in the Goldstream copper-zinc property and its related mining and milling facilities, located 80 km north of Revelstoke, B.C., from Maclaren Forest Products Inc., an affiliate of Noranda Minerals Inc. Our joint venture partner in this acquisition is Goldnev Resources Inc.

For a total purchase price of $5.75 million, we have acquired a mining and milling operation whose replacement cost is about $70 million and property containing an ore body with proven reserves of about 1.86 million tonnes grading 4.81 percent copper and 3.06 percent zinc.

The property was only in production for about a year when depressed copper prices prompted a long-term shutdown of the mining and milling operations in April 1984. Since then, a five-person crew has provided security and maintenance services 24 hours a day, keeping the mine and milling facilities in excellent condition.

We estimate that it would take about three months to place the property back into production, at a total cost of about $5.0 million. We are now in the process of securing the financing required to begin operating the facilities once more.

Our planned production rate is 1100 tonnes per day, indicating a mine life of five years based on presently proven reserves. In order to ensure that the enormous potential of this major acquisition is fully realized, we are obtaining rights to several neighbouring claims and have begun an exploration program.

Copper markets are currently buoyant and prices are expected to maintain high levels through the coming year. The Goldstream purchase significantly enhances our asset base, placing the Company in a strong position to capitalize on other opportunities which may arise in the future.

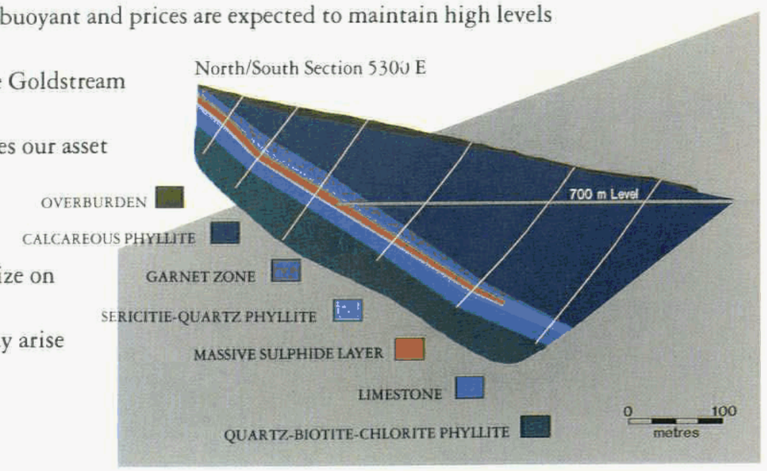


Figure 1

Bethlehem

Sheila Reid, B.Sc. Geology, graduated from Memorial University of Newfoundland, made her way west and is now Bethlehem's Land Manager.

Giant Copper

Plan view of geology illustrating present underground workings and A.M. Breccia ore zone at Giant Copper. Figure 2

Our Giant Copper property near Hope, B.C., continues to show great promise. Previous exploration programs on the northern section of the major mineralized zone, the AM Breccia, have proven mineral reserves of 2.7 million tons grading 1.35 percent copper, 0.017 troy ounces of gold per ton, 0.72 troy ounces of silver per ton and 0.033 per cent molybdenum.

This year's program has expanded these known reserves by the discovery of a second mineralized breccia zone known as the No. 1 Anomaly and of several significant sections of copper mineralization in the central and southern portions of the AM Breccia.

Based on these very positive results, further exploration will be carried out during the coming year to determine the geometry and extent of these newly found mineralized zones and to continue to expand reserves.

For several years, a provincial moratorium on development has prevented any exploration work on the half of the Giant Copper property which is located in the Skagit Valley Recreation Area. However, the provincial government has indicated that the recreation area boundaries will likely be adjusted during the next year to exclude our property, permitting us to begin working that half of the site.

This is very encouraging news since the section now enclosed in the recreation area includes the Invermay Breccia which contains copper, lead, zinc and silver mineralization. We believe that development of this area will significantly enhance the great potential of the Giant Copper property.

Reserves — 2,779,984
1.35% Copper
0.017 tr.oz/ton Gold
0.72 tr.oz/ton Silver
0.03% Molybdenum

GIANT COPPER
Plan of A.M. Breccia Zone

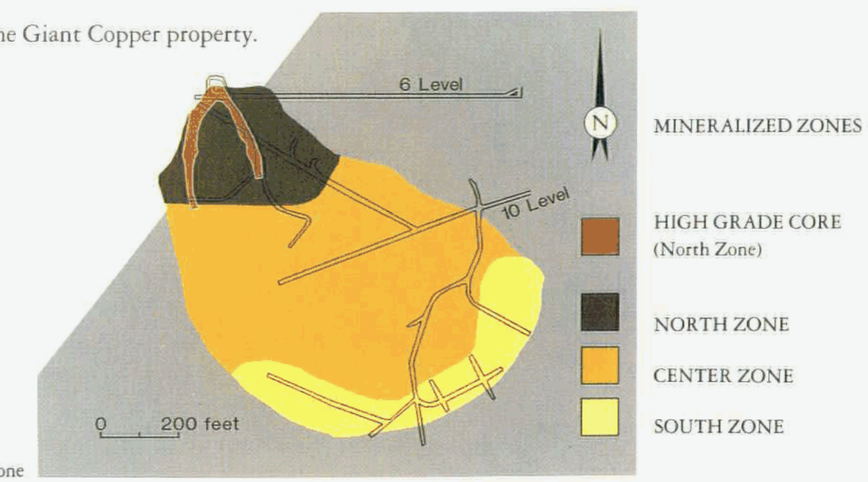


Figure 2

Bethlehem

The Bethlehem Management Team
Paul Deglau Claudia L. Cowley Patrick M. McAndless
Brian Kynoch Michele Jones Sheila Reid
Cliff Overton Pauline Harvey
Henry G. Ewanchuk

Other Properties

Location map on Bethlehem's current projects with an inset graph outlining copper prices over the past twenty five years. Figure 3

In January, we signed an agreement with Arapahoe Mining Corp. which permits the Company to earn a 55 percent interest in the 3850 acre Horn Silver property in southwestern Utah. To date, we have completed surface and underground mapping, sampling and geophysical surveying of the property, as well as a drilling program. Further work is recommended for 1990.

Following the discovery of a major silver and copper deposit on the property in 1875, two mines were developed on the site; the Horn Silver Mine, which produced 17.9 million ounces of silver and 9.6 million pounds of copper between 1879 and 1950; and the Cactus Mine, which produced 1.2 million tons of copper ore grading 2.5 percent between 1905 and 1919. Quantities of gold and zinc were also produced by the mines.

As operators of the property, we are concentrating exploration efforts in the vicinity of the Horn Silver Mine where zinc was not exploited because of low prices or technological limitations. A secondary focus is a zone of mineralized breccia which contains quantities of gold, silver and zinc.

Other major properties in which the Company is involved include Bannack and Irish Gulch. Both are located in Montana. The Bannack property covers 2300 acres and comprises eight formerly producing gold mines, as well as several placer gold workings; the Irish Gulch property totals 1645 acres, with exploration focused on a massive sulphide deposit containing lead and zinc mineralization.

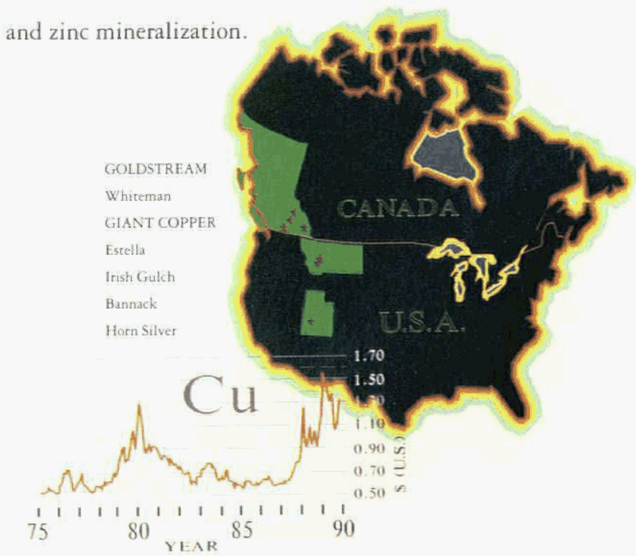


Figure 3

BETHLEHEM RESOURCES CORPORATION CONSOLIDATED FINANCIAL STATEMENTS JULY 31, 1989

AUDITORS' REPORT

To the Shareholders

Bethlehem Resources Corporation

We have examined the consolidated balance sheet of Bethlehem Resources Corporation as at July 31, 1989 and July 31, 1988 and the consolidated statements of earnings (loss) and retained earnings (deficit) and changes in financial position for the years ended July 31, 1989, July 31, 1988 and July 31, 1987. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at July 31, 1989 and July 31, 1988 and the results of its operations and the changes in its financial position for the years ended July 31, 1989, July 31, 1988 and July 31, 1987 in accordance with Canadian generally accepted accounting principles applied on a consistent basis.

Our examinations were made for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedules V and VI attached to the financial statements are presented for purposes of additional analysis required by U.S. regulatory authorities and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vancouver, Canada

September 5, 1989

Chartered Accountants

CONSOLIDATED BALANCE SHEET

(stated in Canadian dollars)

	July 31, 1989	July 31, 1988
ASSETS		
CURRENT ASSETS		
Cash and short term investments	$ 2,908,376	$ 5,791,260
Accounts receivable	191,914	265,633
Prepaid expense	11,270	—
	3,111,560	6,056,893
ADVANCES	—	64,090
INVESTMENTS, at cost (Note 3)	251,000	—
INTEREST IN OIL AND GAS PROPERTIES (Note 2)		
Producing oil and gas properties (successful efforts)	—	4,160,749
Unproven oil and gas properties	—	2,068
	—	4,162,817
Less accumulated depletion and write downs	—	3,519,927
	—	642,890
INTEREST IN MINERAL PROPERTIES (Note 4)	5,627,133	1,355,038
FIXED ASSETS, (Note 5)	73,251	66,421
	$ 9,062,944	$ 8,185,332
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 420,107	$ 102,500
Advances on projects	16,110	—
	436,217	102,500
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 6)		
Authorized		
20,000,000 common shares of no par value		
10,000,000 preferred shares of $1 par value		
Issued		
14,296,800 common shares in 1989 (1988 — 13,864,071)	9,788,913	9,276,165
DEFICIT	(1,162,186)	(1,193,333)
	8,626,727	8,082,832
	$ 9,062,944	$ 8,185,332

Approved by the Directors:

BETHLEHEM RESOURCES CORPORATION
CONSOLIDATED STATEMENT OF EARNINGS (LOSS) AND RETAINED EARNINGS (DEFICIT)
(stated in Canadian dollars)

	Year ended July 31, 1989	1988	1987
SALE OF OIL AND GAS	$ —	$ 377,606	$ 489,931
DIRECT OPERATING EXPENSES:			
Well operating costs	—	164,148	143,018
Depletion and write down	—	2,513,411	255,123
	—	2,677,559	398,141
NET OIL AND GAS REVENUE (LOSS)	—	(2,299,953)	91,790
MANAGEMENT AND EXPLORATION FEES	497,937	131,355	—
INTEREST EARNED	585,601	285,245	—
GENERAL AND ADMINISTRATIVE EXPENSES			
Legal, accounting and audit	80,641	82,485	44,180
Salaries and management fees	573,804	333,765	80,433
Regulatory fees	18,148	47,903	3,970
Office and general	271,162	191,818	56,482
Interest and exchange	37,695	75,351	44,377
Depreciation	23,334	18,091	5,952
	1,004,784	749,413	235,394
LOSS ON SALE AND ABANDONMENT OF FIXED ASSETS	1,089	8,779	4,221
GAIN ON SALE OF MINERAL PROPERTY	14,000	—	—
WRITE OFF ABANDONED MINERAL PROPERTIES	60,518	2,500	1,946
EARNINGS (LOSS) BEFORE INCOME TAXES	31,147	(2,644,045)	(149,771)
INCOME TAXES — deferred (recovery)	—	(455,729)	(26,000)
NET EARNINGS (LOSS) FOR THE YEAR	31,147	(2,188,316)	(123,771)
RETAINED EARNINGS (DEFICIT), beginning of year	(1,193,333)	994,983	1,118,754
RETAINED EARNINGS (DEFICIT), end of year	$ (1,162,186)	$ (1,193,333)	$ 994,983
Weighted average shares outstanding	14,106,400	8,880,625	2,503,801
Weighted average shares outstanding if outstanding stock options had been exercised	15,087,400	9,421,625	2,603,801
Earnings (loss) per share			
Basic	$ 0.002	$ (0.24)	$ (0.05)
Fully diluted (if outstanding stock options had been exercised)	$ 0.005	$ (0.23)	$ (0.05)

BETHLEHEM RESOURCES CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
(stated in Canadian dollars)

	Year ended July 31, 1989	1988	1987
OPERATING ACTIVITIES			
Net earnings (loss) for the year	$ 31,147	$ (2,188,316)	$ (123,771)
Items not involving cash			
Depletion	—	221,177	255,123
Depreciation	23,334	18,091	5,952
Deferred income taxes (recovery)	—	(455,729)	(26,000)
Gain on sale of mineral property	(14,000)	—	—
Loss on sale and abandonment of fixed assets	1,089	8,779	4,221
Cost of abandoned oil and gas properties	—	7,800	—
Writedown oil and gas properties	—	2,284,434	—
Write-off abandoned mineral properties	60,518	—	—
	102,088	(103,764)	115,525
Cash provided by changes in non-cash working capital items	396,166	(145,161)	160,637
TOTAL CASH PROVIDED BY OPERATIONS	498,254	(248,925)	276,162
FINANCING ACTIVITIES			
Shares issued for cash	500,000	6,377,499	—
Shares issued for share purchase plan	12,748	—	—
Shares issued for settlement of debt	—	478,108	—
Shares issued for mineral properties	—	997,500	—
Repayment of term bank loans	—	(397,306)	(231,187)
	512,748	7,455,801	(231,187)
INVESTING ACTIVITIES			
Acquisition of investments	(251,000)	—	—
Proceeds on sale of mineral property	19,000	—	—
Proceeds on sale of oil and gas properties	642,890	50,040	—
Advances	64,090	(64,090)	—
Acquisition of oil and gas lease	—	(687)	—
Proceeds on sale of fixed assets	4,516	—	860
Acquisition of mineral properties, related facilities and exploration	(4,337,613)	(1,355,038)	—
Drilling costs and advances	—	—	(20,898)
Acquisition of other fixed assets	(35,769)	(78,523)	(3,512)
	(3,893,886)	(1,448,298)	(23,550)
INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS DURING THE YEAR	(2,882,884)	5,758,578	21,425
CASH AND SHORT TERM INVESTMENTS BEGINNING OF YEAR	5,791,260	32,682	11,257
CASH AND SHORT TERM INVESTMENTS END OF YEAR	$ 2,908,376	$ 5,791,260	$ 32,682

BETHLEHEM RESOURCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 1989

1. *ACCOUNTING POLICIES*

a) Consolidation
These financial statements include the accounts of the company's wholly owned U.S. subsidiaries, Parkside Petroleum of Ohio Inc., Parkside Gold Inc. and the wholly owned Canadian subsidiary, Bethlehem Copper Corporation. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

b) Oil and Gas Properties
In the prior year, before the Company disposed of its oil and gas interests, it followed the successful efforts method of accounting for oil and gas interests. Acquisition costs of properties and costs of drilling and equipping development and successful exploratory wells were capitalized and charged against earnings on the unit of production method. Costs relating to unsuccessful prospects were charged to earnings. All properties were assessed annually for possible impairment of value. If value was determined to be impaired, the carrying value was reduced by a charge to current operations (see Note 2).

c) Mineral Properties and Deferred Exploration Expenditures
The company defers all acquisition costs and direct exploration and maintenance costs on mineral properties in which it has a continuing interest to be written off over the productive period if a property reaches commercial production. On abandonment of any property, property costs and applicable accumulated exploration expenditures are charged to earnings.

d) Administrative Expenditures
Administrative costs are charged to earnings as incurred.

e) Income Taxes
The company provides for deferred income taxes resulting from timing differences in reporting income and expenses for financial statement purposes compared to the methods of reporting for income tax purposes. These timing differences arose in prior years primarily from intangible drillling costs which were capitalized for financial statement purposes but expensed for tax purposes. The company follows the flow-through method in accounting for investment tax credits, thereby reducing tax expense in the year the credits become available.

f) Foreign Currency Translation
Transactions recorded in United States dollars have been translated into Canadian dollars at the following rates of exchange:
— current assets and current liabilities at prevailing rate at balance sheet date
— non-current assets at various historical rates
— operating accounts at average rate for the year, except for depletion and depreciation which is at the same rate as the relevant asset

Gains or losses on foreign currency translations are included in the determination of net income.

g) Fixed Assets
Fixed assets are recorded at cost. Depreciation is provided on the declining balance basis at the following annual rates:

Computer equipment	30%
Office equipment	20%
Office furniture	20%

h) Canadian and U.S. Accounting Policies
These financial statements are prepared in accordance with accounting policies generally accepted in Canada. Had they been prepared in accordance with accounting policies generally accepted in the U.S. the following differences or changes would have occurred:

(i) Disclosure would have been made that for 1988 and 1987 in excess of 10% of the company's revenue was derived from one customer, Columbia Gas Transmission Inc., who purchased $358,256 of the company's gas in the 1988 fiscal year and $452,221 in the 1987 fiscal year.

(ii) Disclosure would have been made that for 1989, $262,031 of the company's management and exploration fees were charged to one group of companies, Prime Capital Corporation and its affiliates.

(iii) Foreign currency translation according to U.S. methods rather than Canadian methods would not have made a significant difference in the measurement of income or operations. The functional currency for U.S. purposes would be the United States dollar for 1987 and 1988 and the Canadian dollar for 1989.

(iv) During the year ended July 31, 1988 the company changed its focus from oil and gas production to devote most of its efforts to the exploration for minerals and would thus be a "development stage enterprise" for the purposes of U.S. accounting policies. As such, net earnings (loss) for the year ended July 31, 1989 and July 31, 1988 would be changed as follows:

	1989	1988
Net earnings (loss) as shown in the financial statements	$ 31,147	$ (2,188,316)
Decrease in net income resulting from write-off of deferred mineral exploration costs	(1,441,634)	(228,837)
Net income (loss) according to generally accepted accounting principles in the United States	$ (1,410,487)	$ (2,417,153)
Earnings (loss) per share (basic) for the year according to generally accepted accounting principles in the United States	$ (0.10)	$ (0.27)

The following Blance Sheet items would be presented differently as follows:

	1989		1988	
	Interest in Mineral Properties	Retained Earnings (Deficit)	Interest in Mineral Properties	Retained Earnings (Deficit)
As shown on the financial statements	$ 5,627,133	$ (1,162,186)	$ 1,355,038	$ (1,193,333)
Change due to write-off of deferred mineral exploration costs	(1,441,634)	(1,441,634)	(228,837)	(228,837)
Amount according to generally accepted accounting principles in the United States	$ 4,185,499	$ (2,603,820)	$ 1,126,201	$ (1,422,170)

2. *INTEREST IN OIL AND GAS PROPERTIES*
The company's oil and gas properties at July 31, 1988 were all in the State of Ohio, U.S.A.

Subsequent to July 31, 1988, in accordance with an agreement negotiated prior to that date, the company sold all of its oil and gas properties for $642,890 (U.S. $530,000). The carrying value of these properties was written down to this amount at July 31, 1988.

3. *INVESTMENTS,* at cost

a) 200,000 common shares of U.S. Grant Gold Mining Company Ltd. (quoted market value $32,000)	$ 222,000
b) 100,000 common shares of Rhyolite Resources Inc. (quoted market value $15,000)	19,000
c) Reclamation deposit on Goldstream property, B.C.	10,000
	$ 251,000

4. *INTEREST IN MINERAL PROPERTIES*

a) Giant Copper Property, B.C.
The company has a 100% interest in this property subject to production royalty agreements.

	1989	1988
Acquisition cost	$ 922,500	$ 922,500
Exploration expenditures	903,529	22,894
	1,826,029	945,394

b) Goldstream Property, B.C.
The company has a 50% interest in this property subject to production royalty agreements.

	1989	1988
Acquisition cost of mineral claims	1,992,711	—
Acquisition cost of plant and equipment	892,750	—
Investigation and engineering expenditures	274,338	—
	3,159,799	—

c) Bannack Property, Montana, U.S.A.

	1989	1988
Acquisition cost	128,701	128,701
Exploration expenditures	205,367	204,943
	334,068	333,644

d) Other Properties

	1989	1988
— Acquisition cost	20,000	75,000
— Exploration expenditures	287,237	1,000
	307,237	76,000
	$ 5,627,133	$ 1,355,038

5. *FIXED ASSETS*

	1989	1988
Computer equipment	$ 46,889	$ 37,876
Office furniture and equipment	60,167	40,647
	107,056	78,523
Less accumulated depreciation	33,805	12,102
Net Book Value	$ 73,251	$ 66,421

6. *SHARE CAPITAL*

a) During the year ended July 31, 1989 the following shares were issued:

Consideration	Number of Shares	Amount
Cash	400,000	$ 500,000
Share purchase plan	32,729	12,748
	432,729	$ 512,748

The company has reserved 138,640 common shares for the calendar year 1989 for issuance pursuant to a Share Purchase Plan for its full-time employees less 32,729 shares issued to date. Such shares purchased under the plan must be acquired by the company's employees on each payment date and be issued on a quarterly basis.

The company has also reserved 69,320 common shares for the calendar year 1989 for issuance pursuant to a Share Bonus Plan for its full time employees. Such shares are to be issued as a discretionary bonus for no cash consideration.

b) At July 31, 1989 the company had outstanding stock options to directors and employees as follows:

	Number of Shares	Price	Expiry Date
Directors	156,000	$0.50	December 8, 1992
Directors	280,000	$0.86	November 2, 1993
Employees	95,000	$0.86	November 2, 1993
Directors	300,000	$0.95	April 16, 1994
Employees	150,000	$0.95	April 16, 1994
	981,000		

c) The company has agreed with an exploration partnership that it will incur $214,286 of Canadian exploration expenditure prior to December 31, 1989 and issue up to 246,305 treasury shares to the partnership. The company has also agreed to renounce the income tax benefits thereof to the partnership for $214,286 less any grants of up to $64,286.

7. *SUBSEQUENT EVENT*
Subsequent to July 31, 1989 the company sold a portion of the facilities acquired with the purchase of its Goldstream property for gross proceeds of $392,500. This amount does not differ materially from cost.

SCHEDULE V — PROPERTY, PLANT AND EQUIPMENT

Column A	Column B	Column C	Column D	Column E	Column F
Classification	Balance at beginning of period	Additions at cost	Retirements	Other changes add (deduct) describe	Balance at end of period
Year ended July 31, 1989:					
Producing oil and gas properties	$ 4,160,749	$ —	$ —	2) $ (4,160,749)	$ —
Unproved oil and gas properties	2,068	—	—	2) (2,068)	—
Mineral exploration properties	1,355,038	4,337,613	65,518	—	5,627,133
Other property and equipment	78,523	35,769	7,236	—	107,056
	$ 5,596,378	$ 4,373,382	$ 72,754	$ (4,162,817)	$ 5,734,189
Year ended July 31, 1988:					
Producing oil and gas properties	$ 4,886,967	$ 687	$ 728,767	1) $ 1,862	$ 4,160,749
Unproved oil and gas properties	11,730	—	7,800	1) (1,862)	2,068
Mineral exploration properties	—	1,355,038	—	—	1,355,038
Other property and equipment	37,698	78,523	37,698	—	78,523
	$ 4,936,395	$ 1,434,248	$ 774,265	$ —	$ 5,596,378
Year ended July 31, 1987:					
Producing oil and gas properties	$ 4,866,070	$ 20,897	$ —		$ 4,886,967
Unproved oil and gas properties	11,730	—	—		11,730
Other property and equipment	45,031	3,512	10,845		37,698
	$ 4,922,831	$ 24,409	$ 10,845		$ 4,936,395

Notes:
1) Transfer of costs from unproven properties to producing properties on attainment of production.
2) Sale of all oil and gas properties.

SCHEDULE VI — ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

Column A	Column B	Column C	Column D	Column E	Column F
Classification	Balance at beginning of period	Additions at cost	Retirements	Other changes add (deduct) describe	Balance at end of period
Year ended July 31, 1989:					
Producing oil and gas properties	$ 3,519,927	$ —	$ —	1) $ (3,519,927)	$ —
Mineral exploration properties	—	—	—	—	—
Other property and equipment	12,102	23,334	1,631	—	33,805
	$ 3,532,029	$ 23,334	$ 1,631	$ (3,519,927)	$ 33,805
Year ended July 31, 1988:					
Producing oil and gas properties	$ 1,693,043	$ 2,190,804	$ 363,920		$ 3,519,927
Mineral exploration properties	—	—	—		—
Other property and equipment	22,930	18,091	28,919		12,102
	$ 1,715,973	$ 2,208,895	$ 392,839		$ 3,532,029
Year ended July 31, 1987:					
Producing oil and gas properties	$ 1,437,920	$ 255,123	$ —		$ 1,693,043
Other property and equipment	22,743	5,952	5,765		22,930
	$ 1,460,663	$ 261,075	$ 5,765		$ 1,715,973

Note:
1) Sale of all oil and gas properties.

COMPUTATION OF PER SHARE EARNINGS

	Year ended July 31, 1989	1988	1987
A. Weighted average shares outstanding	14,106,400	8,880,625	2,503,801
Shares under outstanding stock options	981,000	541,000	100,000
B. Weighted average shares outstanding if all outstanding stock options had been exercised	15,087,400	9,421,625	2,603,801
C. Earnings (loss) for the year	$ 31,147	$ (2,188,316)	$ (123,771)
D. Notional earnings on proceeds if options had been exercised	$ 69,381	$ (2,188,316)	$ (123,771)
Earnings (loss) per share:			
Basic (C/A)	$ 0.002	$ (0.24)	$ (0.05)
Fully diluted (D/B)	$ 0.005	$ (0.23)	$ (0.05)

SUPPLEMENTAL INFORMATION — DISCLOSURES ABOUT OIL AND GAS PRODUCING ACTIVITIES — unaudited

All of the Company's oil and gas activities were in the State of Ohio, U.S.A. Capitalized costs relating to oil and gas producing activities were as follows:

	July 31, 1989	1988	1987
Proved properties	$ —	$ 4,160,749	$ 4,886,967
Unproved properties	—	2,068	11,730
	$ —	$ 4,162,817	$ 4,898,697
Accumulated depletion and write down	$ —	$ 3,519,927	$ 1,693,043

Costs incurred in oil and gas property acquisition, exploration and development activities are as follows:

	Year ended July 31, 1989	1988	1987
Property acquisition costs	$ —	$ 687	$ —
Exploration costs	—	—	—
*Development costs	—	—	20,897
	$ —	$ 687	$ 20,897

*Legal spacing units in the company's area of exploration are 20 acres. Company policy was to attempt to drain substantially larger areas with each well. Consequently all wells were categorized as exploration wells for the purpose of U.S. FAS 19 and development costs include only additions to existing wells and development of a disposal well.

SUPPLEMENTAL INFORMATION — DISCLOSURES ABOUT OIL AND GAS PRODUCING ACTIVITIES — unaudited RESULTS OF OPERATIONS FOR OIL AND GAS PRODUCING ACTIVITIES

	Year ended July 31, 1989	1988	1987
Oil and gas revenues	$ —	$ 377,606	$ 489,931
Production costs	—	164,148	143,018
Depletion and write-down	—	2,513,411	255,123
Income tax expense (recovery)	—	(455,729)	(26,000)
	—	2,221,830	372,141
Profit (loss) from oil and gas operations excluding corporate overhead and interest costs	$ —	$ (1,844,224)	$ 117,790

Note: The company incurred no exploration costs other than drilling costs of successful wells, which costs were capitalized.

STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS
RELATING TO PROVED OIL AND GAS QUANTITIES

	July 31, 1989	1988	1987
Future cash inflows from proved reserves calculated at year end prices	$ —	$ 3,115,892	$ 8,579,817
Future development and production costs	—	(1,333,236)	(2,637,059)
Future income tax expense	—	(300,000)	(1,751,000)
Future net cash flows		1,482,656	4,191,758
Discount at 10% annually for estimated timing of cash flows	—	489,276	1,878,758
Standardized measure of discounted future net cash flows	$ —	$ 993,380	$ 2,313,000

SUPPLEMENTAL INFORMATION — DISCLOSURES ABOUT
OIL AND GAS PRODUCING ACTIVITIES — unaudited
PROVED OIL AND GAS RESERVE QUANTITIES

	Oil and Natural Gas Liquids (bbls.)	Natural Gas (m.c.f.)
Estimated quantity July 31, 1986	66,268	2,025,454
Discovered through drilling	—	—
Production	4,357	154,458
Estimated quantity July 31, 1987	61,911	1,870,996
Discovered through drilling	—	—
Production	1,595	152,473
Revisions of previous estimates	36,129	693,842
Estimated quantity July 31, 1988	24,187	1,024,681
Sale of oil and gas wells	24,187	1,024,681
Proved developed reserves:		
Quantity July 31, 1989	—	—
July 31, 1987	50,931	1,567,403
July 31, 1988	24,187	1,024,681
July 31, 1989	—	—

Note: Reserves as at July 31, 1985 were as calculated by Bancapital Technical Services Corporation, independent petroleum consultants for the company. Reserves shown above as at July 31, 1986 and 1987 have been calculated from the July 31, 1985 reserve estimates. These reserves were recalculated for the company as at April 1, 1988 by Robert A. Crissinger, Inc., independent petroleum engineering consultant, and the reserves shown at July 31, 1988 have been calculated from these reserve estimates.

SUPPLEMENTAL INFORMATION — DISCLOSURES ABOUT
OIL AND GAS PRODUCING ACTIVITIES — unaudited

The following are the principal sources of changes in the standardized measure of discounted future net cash flow:

	Year ended July 31, 1989	1988	1987
Beginning balance	$ 993,380	$ 2,313,000	$ 3,101,000
Sales of oil and gas produced, net of production costs	—	(213,458)	(346,913)
Sale of oil and gas wells	993,380	—	—
Decrease in quantities by re-evaluation of reserves	—	(2,482,922)	—
Net decrease in prices	—	(1,531,076)	(661,408)
Reduction in future development costs	—	132,589	168,436
Development costs incurred	—	—	20,897
Discoveries	—	—	—
Net change in discount	—	1,324,247	637,988
Net change in income taxes	—	1,451,000	(607,000)
Ending balance	$ —	$ 993,380	$ 2,313,000

See Note to "Proved Oil and Gas Quantities"

CURRENT COST INFORMATION

As the company did not have significant property plant and equipment applicable to its oil and gas operations apart from gas and oil leases and well head equipment current cost information is not presented.

Corporate Information

Directors and Officers
Directors
Henry G. Ewanchuk, Vancouver
Channing Buckland, Vancouver
Robert Buchan, Toronto
William Grafham, Calgary
Officers
Henry G. Ewanchuk
☐ *President and Chief Executive Officer*
Patrick McAndless
☐ *V.P. Explorations*
Clifford Overton
☐ *V.P. Technical Services*
Brian Kynoch
☐ *V.P. Engineering*
Claudia Cowley
☐ *Corporate Secretary*

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Vancouver, BC V6C 2T5

Registered Office
10th Floor
595 Howe Street
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Central Guaranty Trust Company
200 - 800 W. Pender St.
Vancouver, BC V6C 2V7

Registrar and Transfer Agent (con't.)
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Toronto, Ontario M5J 1T8

Auditors
Morgan and Company
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Vancouver, BC V6B 1N2

Listed
Vancouver Stock Exchange – BTH
Toronto Stock Exchange – BTH
NASDAQ – BTHM-F

Common Shares (No Par Value)
Authorized Capital
☐ *20,000,000*
Issued and Outstanding
☐ *14,296,800*

Preferred Shares
(Par Value of $1.00)
Authorized – 10,000,000
Issued and Outstanding – NIL

Wholly-owned Subsidiaries
Parkside Petroleum of Ohio, Inc., Ohio
Parkside Gold Inc., Nevada

Annual General Meeting
December 8, 1989; 10:00 a.m.
Pan Pacific Hotel,
Vancouver, B.C.

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